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Agenda Item 3d

November 15, 2011

TO: MEMBERS OF THE FINANCE COMMITTEE

- I. **SUBJECT:** Office of Audit Services Charter Revision (Second Reading)
- II. **PROGRAM:** Audit Services
- III. **RECOMMENDATION:** Approve Office of Audit Services Charter Revision (Second Reading)

IV. ANALYSIS:

The International Standards for the Professional Practices of Internal Auditing (Standards) require the purpose, authority, and responsibility of the internal audit activity be formally defined in an internal audit charter consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards. The internal audit charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of the internal audit activities.

Standards require the Chief Auditor to periodically assess whether the internal audit activity's purpose, authority, and responsibility, as defined in the internal audit charter, remain adequate for internal audits to accomplish its objectives. The Chief Auditor is also responsible for presenting the results of this assessment to Executive management and the Board.

At the June 2011 Finance Committee meeting staff provided a first reading of the proposed revised Office of Audit Services Charter. Additional language is being proposed to address the Chief Auditor's responsibilities to perform consulting and advisory services and confirm independence no less than four (4) times per year in closed session Risk and Audit Committee meetings. In addition, the Office of Audit Services Charter is being revised to align with the new Risk and Audit Committee Delegation Resolution. These items have been reflected in this charter that is before the Committee in Attachment A. The additional or changed language is presented as italicized and underlined text. We have also included a red-line/strikeout version of the existing charter as Attachment B.

V. RISKS:

The risk associated with not approving the Office of Audit Services Charter Revision is that the internal audit activity's purpose, authority, and responsibility would be inconsistent with Standards and the Delegation Resolution of the Risk and Audit Committee, and the Office of Audit services would be operating under an outdated charter.

VI. STRATEGIC PLAN:

This item is not a specific product of the Strategic Plan but is part of the regular and ongoing workload of the Office of Audit Services.

VII. RESULTS/COSTS:

There are no additional costs associated with this item.

MARGARET JUNKER, Chief
Office of Audit Services

PETER H. MIXON
General Counsel

Attachments